



# Legislative Issues

## McAllen Chamber of Commerce

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### USMCA, the New NAFTA

The U.S., Canada, and Mexico signed a trade deal to replace NAFTA. It's known as the United States-Mexico-Canada Agreement, or **USMCA**.

President Trump states that the deal represents one of the most important and largest trade deals in U.S. and World history. **It will account for more than \$1.2 trillion in trade between the largest free trade zones**, and includes changes for automakers, labor and environmental standards, intellectual property protections, and some digital trade provisions.

#### Changes include the following:

- **Country of origin rules:** Automobiles must have 75 percent of their components manufactured in Mexico, the U.S., or Canada to qualify for zero tariffs (up from 62.5 percent under NAFTA).
- **Labor provisions:** 40 to 45 percent of automobile parts must be made by workers who earn at least \$16 an hour by 2023. Mexico has also agreed to pass laws giving workers the right to union representation, extending labor protections to migrant workers, and protecting women from discrimination. The countries can also sanction one another for labor violations.
- **U.S. farmers get more access to the Canadian dairy market:** The U.S. got Canada to open its dairy market to U.S. farmers, which was a big issue for Trump.
- **Intellectual property and digital trade:** The deal extends the terms of copyright to 70 years beyond the life of the author (up from 50). It also extends the period that a pharmaceutical drug can be protected from generic competition, and includes new provisions to deal with the digital economy, including prohibiting duties on things like music and e-books, and protections for internet companies so they're not liable for content their users produce.
- **No section 232 tariff protections:** **Section 232 is a trade loophole** that Trump used to impose steel and aluminum tariffs on Canada, Mexico, and the European Union. Canada and Mexico wanted protections from these tariffs as part of the NAFTA negotiations, and the fact that tariffs are still in place remains a sore subject, particularly for Canada. Canada and Mexico did get the U.S. to make a side agreement that shields them from possible auto tariffs under 232.
- **Sunset clause:** The agreement adds a 16-year "sunset" clause — meaning the terms of the agreement expire, or "sunset," after a set period. The deal is also subject to a review every six years, at which point the U.S., Mexico, and Canada can decide to extend the USMCA.

The **USMCA** has been signed but needs approval. Trump, Canadian Prime Minister Justin Trudeau, and Mexican President Enrique Peña Nieto have all signed the new deal, but **it still needs to be ratified by all three governments**.

It is not certain what Congress will approve, but it is planned to be considered this year when Democrats have control of the House. Democrats currently object to parts of the deal, which could disrupt its approval.

**McAllen Chamber of Commerce Position:** The McAllen Chamber of Commerce strongly supports free trade and a modernization of NAFTA.